

CRS Report for Congress

New Zealand: Background and Bilateral Relations with the United States

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New Zealand: Background and Bilateral Relations with the United States

Summary

New Zealand and the United States have close ties that are based on shared cultural traditions and values as well as shared interests. New Zealand is a regular contributor to international peace and stability operations and has contributed troops to the struggle against militant Islamists in Afghanistan and assisted with reconstruction efforts in Iraq. Relations between the United States and New Zealand have improved in recent years as past differences over nuclear policy have faded in importance. Areas of commonality, rather than areas of difference, have once again come to define the bilateral relationship.

Under the leadership of Prime Minister Helen Clark, New Zealand continues to seek closer economic relations with the United States through a free trade agreement (FTA). While the overall volume of trade with New Zealand is relatively small, progress on an FTA is viewed as politically significant by some given New Zealand's status as a democratic nation that has fought alongside the United States in many of its conflicts.

New Zealand plays an important role in promoting regional stability in the Southwest Pacific and in archipelagic Southeast Asia. It has been diplomatically engaged and has committed troops and police to promote peace and stability in places such as the Solomon Islands, Bougainville in Papua New Guinea, and East Timor. There may be further need for New Zealand's assistance to help promote democracy and the rule of law in regional states given ongoing unrest in places like East Timor and the Solomon Islands.

Prime Minister Clark has sought to make New Zealand a leader on the issue of climate change and make it the world's first truly sustainable and carbon-neutral country. It is thought that New Zealand would, along with Australia, accept climate refugees from places such as Tuvalu should global warming lead to rising sea levels that would inundate South Pacific island nations.

New elections in New Zealand are to be called by November 15, 2008. Prime Minister Clark was trailing her opponent John Key of the National Party in August 2008 but had narrowed the National Party's lead.

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New Zealand: Background and Bilateral Relations with the United States

Recent Events

Elections

Prime Minister Helen Clark was first elected Prime Minister as the leader of the Labour Party in 1999, was returned in 2002, and won more narrowly against a resurgent National Party in 2005. New elections are to be called by November 15, 2008. Clark has been trailing her opponent John Key of the National Party. In an August 2008 poll, Labour had narrowed its margin but still fell 11 points behind the National Party with 37% favoring the Labour Party and 48% favoring the National Party.¹

Leadership on Climate Change

Prime Minister Clark continues to push New Zealand to become a carbon-neutral nation and has set an example for the world on climate change.² In August 2008, the Clark government appeared to have the votes necessary to pass legislation to enact the government's emissions trading scheme which is designed to help New Zealand achieve its Kyoto Protocol targets.

Clark used the Prime Minister's Statement to Parliament on March 13, 2007, to declare her government's intention to make New Zealand the world's first truly sustainable and carbon-neutral country, adding that "the pride we take in our quest for sustainability and carbon neutrality will define our nation." Clark stated that, "traditional patterns of development and fast growing populations have put an intolerable strain on the planet. The future economic costs of doing nothing are dire."³ Clark pointed to renewable energy as a key component along with the importance of forestry to climate change mitigation as key to lowering New Zealand's carbon footprint. Climate Change Minister David Parker has identified deforestation as a key challenge for New Zealand and the world. Deforestation is thought to account for some 20% of global carbon dioxide emissions at present. The Clark government is contemplating a framework where those responsible for the

¹ Paula Oliver, "Labour Narrows Poll Gap with National," *New Zealand Herald*, August 25, 2008.

² "New Zealand Should Aim to be World's First Carbon Neutral Country, Leader Says," *International Herald Tribune*, February 13, 2007. See also Rt. Hon. Helen Clark, "Prime Minister's Statement to Parliament," February 13, 2007.

³ Rt. Hon. Helen Clark, "Prime Minister's Statement to Parliament," February 13, 2007, [<http://www.beehive.govt.nz>].

emissions will bear some of the costs of their actions.⁴ In 2007, New Zealand was ranked first in the Environmental Performance Index produced by Yale University.⁵ New Zealand's energy resources make it relatively easier for it to attain green targets than other countries more dependant on coal. Hydroelectric power accounts for 64.6% of total electricity output with natural gas and coal accounting for 16.7% and 9.9% respectively.⁶ New Zealand has undertaken a commitment to have 90% of its energy drawn from renewable sources by 2025.⁷

The New Zealand government is keen to brand New Zealand as a "green producer" as it has already encountered difficulty with food exports over the "food miles" issue in Great Britain.⁸ New Zealand has made its case that though energy is expended in transporting New Zealand food to distant markets, its meat and dairy is free-range and grass fed, and hence relatively carbon-emissions friendly when compared with Concentrated Animal Feeding Operations (CAFO), which feed energy intensive grain, that are more common in the United States and Europe.⁹ Two studies from Lincoln University in Christchurch have found that there is greater energy efficiency in New Zealand for the production of lamb, apples, and dairy products when compared with British products.¹⁰ These studies took into account transportation costs from New Zealand to the United Kingdom as well as other aspects of production.

⁴ "Deforestation Scrutinized," *Bay of Plenty Times*, March 14, 2007.

⁵ "New Zealand Tops World Environmental Rankings," *NZUS Council*, February 26, 2007.

⁶ "New Zealand Economic Affairs," Europa World, [<http://www.europaworld.com>]

⁷ Washington International Renewable Energy Conference Proceedings, March 4-6, 2008 Washington, DC, Pembina Institute.

⁸ The food miles concept refers to the energy, and hence carbon emissions, that is expended to transport food.

⁹ Angela Gregory, "PM Warns on 'Dirty' Dangers,"

¹⁰ "New Food Miles Report Shows NZ Dairying Still More Efficient Than UK, Greenhouse Gasses Included," Lincoln University, Christchurch, New Zealand, July 27, 2007.

Background

New Zealand's population of just over four million has many shared values with the United States that stem from common historical roots as part of the British empire. New Zealand, also known as Aotearoa or "the land of the long white cloud," was settled by the Polynesian-Maori people by the Tenth Century. Dutch navigator Abel Tasman discovered the western coast of New Zealand in 1642 but it was English Captain James Cook who, over three expeditions in 1769, 1773, and 1777, circumnavigated and mapped the islands. Cook reported on the Maori as well as New Zealand's unique flora and fauna. The 1840 Treaty of Waitangi, between the British Crown and Maori Chiefs, serves as the basis for defining relations between the Maori and Pakeha (European) communities.

New Zealanders are over 80% urban and have a 99% literacy rate.¹¹ New Zealand has a land area of 103,733 square miles, which is about the size of Colorado. It is 28% forested, 50% in pasture, and 9% under cultivation. New Zealand's principal exports are agriculturally based though services, notably tourism, plays an increasingly important role.

New Zealand in Brief

Area: 270,5000 sq. km or about the size of Colorado

Capital: Wellington

Population: 4.2 million

Population growth rate: 0.7%

Ethnic Groups: European 64.8%, Maori 14%, Asian 8.8%, Polynesian 6.6%

Livestock: 9.8 mill cattle and 39.2 mill sheep

Religion: Anglican 15%, Roman Catholic 13%, Presbyterian 11%

Per Capita GDP: \$26,000 ppp

Major Markets: Australia, U.S., Japan, China, & United Kingdom.

Unemployment: 3.8%

Life expectancy: 78.81 years

Government: Mixed-member proportional democracy, 120 seat unicameral parliament

Chief of State: Queen Elizabeth II who is represented in New Zealand by the Governor General Silvia Cartwright

Sources: Economist Intelligence Unit, State Department, CIA World Factbook and government of New Zealand statistics

Domestic Political Context

Structure of Government. The British Monarch, Queen Elizabeth II, remains the constitutional head of state. Her representative, the Governor General, acts on the advice of the Prime Minister's Cabinet. New Zealand attained Dominion Status in 1907 and gained full political independence from Britain under the Statute of Westminster Adoption Act of 1947. In 1893, New Zealand gave women the right to vote. This made New Zealand the first country to do so.¹² Today, New Zealand is a unicameral, mixed-member-proportional (MMP), parliamentary democracy. MMP was introduced in New Zealand in 1996. There are 121 seats in parliament of which

¹¹ Paolo Pasicholan, ed., *U.S. and Asia Statistical Handbook*, (Washington: The Heritage Foundation, 2003).

¹² A. E. McQueen, "New Zealand: Physical and Social Geography," in *The Far East and Australasia*, (Surrey: Europa Publications, 2002), p.889.

69 are electorate member seats including seven seats reserved for Maori candidates. Fifty-two seats are selected from party lists.

Political Parties. The center-left Labour Party of Prime Minister Clark and the opposition center-right National Party led by John Key are the two main political parties in New Zealand. New Zealand's mixed member proportional system gives smaller parties a key role in forming coalition government. The other key parties, and their performance in the 2005 election, are listed in the chart below.

In August 2008, National Party Leader John Key stated that he would not have New Zealand First Party leader and Foreign Minister Winston Peters as a minister in his government should he be elected. Key made this statement in response to allegations that Winston Peters received a \$100,000 donation for legal fees from a wealthy individual. As a result, if the National Party needs a coalition partner to govern it will likely be a party other than the New Zealand First Party.¹³ New Zealand First was formed in 1993 to “represent the views of all New Zealanders concerned about the economic and social direction of New Zealand, the sale of public assets to foreign control, and the decline in employment and social services.”¹⁴

Table 1. New Zealand Political Parties and Their Electoral Performance in 2005

Party	Percentage of vote	Seats in Parliament
NZ Labour Party	41.1%	50
National Party	39.1%	48
NZ First Party	5.7%	7
Green Party	5.3%	6
Maori	2.1%	4
United Future	2.7%	3
ACT NZ	1.5%	2
Progressive Party	1.2%	1
Other	1.3%	121

Source: “New Zealand,” *CIA World Factbook*, August 21, 2008, [<http://www.cia.gov>].

¹³ Audrey Young, “Nats Divorce Peters,” *New Zealand Herald*, August 28, 2008.

¹⁴ New Zealand First, “Introduction to New Zealand First Policies,” [<http://www.nzfirst.org>].

Economics and Trade

New Zealand is a trade dependant nation. New Zealand's principal exports are dairy products, meat, timber, fish, fruit, wool, and manufactured products. While agriculture contributes to only 6.2% of GDP, agriculture accounts for a significant percentage of export earnings. Data indicates that 41.3% of New Zealand's export earnings are derived from a combination of dairy (18.1%), meat (13.5%), forestry (6.2%), and fisheries (3.5%).¹⁵ New Zealand experienced 3.5% GDP growth in 2007.

Regional Economic Ties

New Zealand has signed Free Trade Agreements (FTA) with Australia, Singapore, Brunei, Chile, Thailand, the Association of Southeast Asian Nations (ASEAN) and China. New Zealand trade with ASEAN has increased by approximately 17% per year in recent years.¹⁶ New Zealand is also reportedly pursuing FTAs with India, Japan, Korea, and Persian Gulf states.¹⁷ This free trade orientation is likely to continue if the National Party wins the next election.

There is a view that growing trade protectionism in the United States will do little to help the United States be part of the emerging trend towards new regional economic integration in Asia. This, some worry, could place China, and not the United States, at the center of future economic and strategic architectures in Asia.¹⁸ New Zealand, which has been seeking an FTA with the United States, signed an FTA with China that comes into force in October 2008. With this agreement in April 2008, New Zealand became the first developed country to sign an FTA with China. Under the agreement, tariffs on 96% of New Zealand exports will be phased out by 2017. China is New Zealand's fourth largest trading partner and its fastest growing export market.¹⁹

P4. New Zealand is a member of the Trans-Pacific Strategic Economic Partnership Agreement, or P4, along with Singapore, Chile, and Brunei. The P4 came into force in 2006 with negotiations on investment and financial services to follow.²⁰ This free trade agreement has attracted interest in the United States. Some view it as offering a key opportunity providing a building block approach towards wider Asia-Pacific regional trade liberalization and integration. The P4 has "progressive

¹⁵ Data drawn from 2006. "New Zealand Economic Affairs," Europa World, [<http://www.europaworld.com>].

¹⁶ Hon. Phil Geoff, Minister of Trade, "Development on Free Trade Negotiations, New Zealand Government, July 15, 2008.

¹⁷ "Dairying Key to Free Trade Deals," *NZ Dairy Exporter*, July 1, 2008.

¹⁸ P. Parameswaran, "Protectionist US Risks Losing Economic Leadership in Asia," *Agence France Presse*, July 7, 2008.

¹⁹ "China FTA Kicks In," *Rural News*, August 13, 2008.

²⁰ "P4 Grouping Targets US as Fifth Member," *National Business Review*, June 27, 2008.

provisions on Labour and Environment.”²¹ The United States’ decision to begin discussions with the P4 group on a financial services agreement is viewed by some as an indication that the United States is interested in the P4 in general and with free trade talks with New Zealand.²²

Contributions to Peace and Stability Operations

New Zealand is an active supporter of international security and peacekeeping efforts in the Pacific and elsewhere. New Zealand’s commitment to such operations is demonstrated by its leading role in helping to resolve the conflict on Bougainville, Papua New Guinea its participation in peace operations in East Timor and through its contribution of troops to security operations in the Solomon Islands. Prime Minister Clark committed New Zealand military personnel, as well as police and civilian assistance, to the Regional Assistance Mission in the Solomon Islands in the summer of 2003. New Zealand forces joined forces from Australia, Fiji, Tonga, and Papua New Guinea in an effort to bring peace and stability to the Solomon Islands.²³ New Zealand has also contributed to peace operations in Bosnia, Sierra Leone, and Kosovo.

Afghanistan

New Zealand has supported the international effort in the struggle against militant Islamists and has sent peacekeeping and reconstruction forces on extended deployment to Afghanistan.²⁴ New Zealand has established a joint civilian-military Provincial Reconstruction Team (PRT) to provide stability in Afghanistan.²⁵ New Zealand assumed leadership of the PRT for Bamian Province in September 2003.²⁶ New Zealand has also contributed some limited support to the training of the Afghan Army and police, and the International Security Force. New Zealand has made a commitment to provide long term reconstruction and development assistance to Afghanistan. New Zealand’s approach is based on integrating security and humanitarian intervention.²⁷ First Lady Laura Bush’s visit to the New Zealand PRT in June 2008 is an indication of the increasingly close relationship between the U.S.

²¹ Hon. Phil Geoff, Minister of Trade, “Evolving Asia-Pacific Regionalism,” Government of New Zealand, June 10, 2008.

²² “New Zealand: Country Forecast Summary,” *Economist Intelligence Unit*, June 2, 2008.

²³ Rt. Hon. Helen Clark, “Infantry Company Deployment to Solomons,” August 25, 2003, [<http://www.beehive.govt.nz>].

²⁴ Rt. Hon. Helen Clark, “Government Assistance to Operation Enduring Freedom and Iraq,” June 9, 2003, [<http://www.beehive.govt.nz>].

²⁵ Stephen Graham, “U.S. Military Changes Tactics,” *Charleston Gazette*, December 21, 2003.

²⁶ Rt. Hon. Helen Clark, “NZDF to Lead Afghan Provincial Reconstruction Team,” September 22, 2003, [<http://www.beehive.govt.nz>].

²⁷ “New Zealand Minister Restates Commitment to Afghanistan,” *BBC News*, April 7, 2005.

and New Zealand. Shortly after her visit, she stated that their work “shows the power of international collaboration in securing Afghanistan’s progress.”²⁸

Iraq and Counterterrorism

New Zealand also sent a small contingent of combat engineers to assist with reconstruction efforts in post-conflict Iraq. They completed their mission in October 2004.²⁹ This deployment earned New Zealand the designation “force contributing nation” by the United States.³⁰

New Zealand is in the process of expanding its counterterrorist capabilities. Current counterterrorist capabilities are provided by the 1st New Zealand Special Air Service (SAS) Group and the Police Special Tactics Group. New Zealand is reportedly forming a third counterterror unit which is to be called the Counter Terrorist Tactical Assault Group.³¹ New Zealand’s contribution to the struggle against militant Islamists was demonstrated in December 2003 when a New Zealand P-3 K Orion aircraft spotted two ships in the Northern Arabian Sea which were found to be smuggling \$11 million worth of heroin and methamphetamines for Al Qaeda.³² New Zealand deployed the ANZAC Frigate HMNZS Te Mana to the Persian Gulf in April 2008 to help provide maritime security in the region.³³ New Zealand is a party to all 12 United Nations conventions on terrorism. Prime Minister Clark also provided some support to the United States initiative to focus the Asia Pacific Economic Cooperation (APEC) group on security issues at its 2003 meeting.³⁴

Defense Expenditures

New Zealand embarked on a major increase in defense expenditure in the spring of 2005. New Zealand announced plans in May 2005 to increase annual defense expenditures by 27% over the next decade. The increase in funding is to expand the number of defense personnel and upgrade equipment, including new armored personnel carriers, navy ships, and helicopters. It will also refurbish planes for the air force, develop base infrastructure, increase stocks of spares, and enhance training and

²⁸ “First Lady Speaks at International Conference in Support of Afghanistan,” *US Fed News*, June 12, 2008.

²⁹ Hon. Mark Burton, “New Zealand Defence: Playing Our Part as a Responsible World Citizen,” December 11, 2004, [<http://www.beehive.govt.nz>].

³⁰ Tracy Watkins, “N.Z.’s Role in Iraq Praised by Downer,” *Dominion Post*, December 15, 2003.

³¹ Andrew McAlley, “Army Recruits Soldiers for New Secret Service,” *Waikato Times*, March 19, 2005.

³² Mathew Dearnaley, “Orion Patrol Fingers Dhows Linked to al Qaeda,” *New Zealand Herald*, December 22, 2003.

³³ “Navy Ready for Persian Gulf Deployment,” *Scoop NZ*, April 2, 2008.

³⁴ “New Zealand in the News,” United States-New Zealand Council, December 2003.

retention.³⁵ The announced \$NZ 4.6 billion increase³⁶ will provide New Zealand with a greater capability to meet its security needs including a secure New Zealand, including its territorial waters and exclusive economic zone, a strong strategic relationship with Australia, a stable South Pacific, and an expanding dialogue with Southeast and Northeast Asia. It will also support New Zealand's global approach to collective security including participation in peace operations.³⁷ In early 2008, the National Party did not identify any great differences in approach to defense and agreed with Labour that personnel issues are a leading concern.³⁸

Bilateral Relations with the United States

One of the key achievements of Clark's administration has been the strengthening of bilateral relations with the United States. Clark has emphasized the "strong and mature friendship built on common values and a long history of working together" and the need to emphasize the "breadth and depth of the relationship."³⁹ In this way, she broadened bilateral cooperation and to moved relations forward to a new degree of closeness where past differences no longer define the relationship. The United States suspended its formal security commitment to New Zealand in the mid-1980s due to differences over nuclear policy. This increased closeness in the relationship sets the stage for future bilateral cooperation as both countries head to the polls in the fall of 2008.

United States State Department Spokesman Phil Reeker has emphasized the "shared values" and "long history" that the United States and New Zealand have in common.⁴⁰ In Congressional testimony on March 15, 2007, Deputy Assistant Secretary of State, Bureau of East Asian and Pacific Affairs, Glyn Davies, described New Zealand as a "key partner ... which remains an important and close friend of the United States. Our countries share many of the same values and interests around the globe." He added that "clearly, New Zealand is dedicated to promoting peace and stability where it can ... as a key partner, we coordinate closely with New Zealand on the Pacific."⁴¹

³⁵ "New Zealand to Hike Military Spending by 27% Over 10 Years," *Associated Press*, May 2, 2005.

³⁶ One U.S. dollar purchased approximately one dollar and fifty cents in New Zealand dollars in September 2008.

³⁷ Government of New Zealand, *The Defence Sustainability Initiative: Building a Long-term Future for the New Zealand Defence Force*, May 2, 2005.

³⁸ Nick Lee-Frampton, "New Zealand's Defense in Transition," *Defense News*, February 18 2008.

³⁹ "Prime Minister to Visit United States," [<http://www.beehive.govt.nz>].

⁴⁰ Fran O'Sullivan, "U.S. Spokesman Keen to Reinforce Long Friendship," *New Zealand Herald*, November 19, 2003.

⁴¹ Deputy Assistant Secretary of State, Bureau of East Asian and Pacific Affairs, Glyn Davies, Statement before the House Subcommittee on Asia, the Pacific, and the Global Environment, House Committee on Foreign Affairs, March 15, 2007.

New Zealand has, along with Ireland, Austria and others, worked within the 45-nation Nuclear Suppliers Group in expressing concern with the proposal to exempt India from restrictions on nuclear trade as part of the U.S.-India civil nuclear agreement.⁴² The exemption would allow any NSG member country to supply India with nuclear materials and technology for its civil nuclear program despite the fact that India is not a signatory to the Nuclear Non-Proliferation Treaty (NPT). New Zealand Foreign Minister Phil Geoff stated “Discussions in Vienna have focused on how to ensure compatibility of these objectives [of the NSG] with the exemptions, sought for the US-India Civil Nuclear Co-operation Agreement.”⁴³ It was reported that New Zealand worked with like-minded nations on proposed conditions for India’s exemption.⁴⁴

U.S. Ambassador William McCormick in 2007 described the bilateral relationship with New Zealand as an “already strong relationship” that has “stepped up a gear to become even stronger.”⁴⁵ The United States and New Zealand have a broad array of contacts and a history of working and fighting together. New Zealand has fought alongside the United States in most U.S. key conflicts including WWI, WWII, Korea, and Vietnam. From the early 1950s to the mid-1980s this cooperation was conducted under the Australia-New Zealand-United States (ANZUS) alliance.

In her remarks with Prime Minister Helen Clark during a visit to New Zealand in July 2008 Secretary of State Condoleezza Rice described New Zealand as a “friend and an ally” and pointed out that the relationship had “moved beyond a whole host of problems.” She added that the relationship was now structured for cooperation to “meet the post September 11th challenges” and stated that New Zealand is one of the “strongest and most active members” in its participation in the Proliferation Security Initiative (PSI). At that time she also pointed to New Zealand’s contribution in promoting adherence to International Atomic Energy Association (IAEA) and the United Nations Security Council, the South Pacific, counterterrorism cooperation, maritime security, disaster relief, and support in Afghanistan.⁴⁶ New Zealand’s participation in PSI has also led to increased participation in military exercises with the United States.⁴⁷

Increasing waivers of restrictions on exercises involving U.S. and New Zealand troops also indicate a desire to move beyond past restrictions on military-to-military

⁴² Glenn Kessler, “In Secret Letter, Tough U.S. Line on India Nuclear Deal,” *The Washington Post*, September 3, 2008.

⁴³ Minister for Foreign Affairs, Phil Geoff, Media Statement, “US-India Civil Nuclear Agreement,” August 26, 2008.

⁴⁴ Seema Guha, “Rice Reassures India of US Push for Deal,” *Daily News and Analysis*, August 27, 2008.

⁴⁵ Ambassador William McCormick, “Building Momentum: Towards a Stronger U.S. - N.Z. Relationship,” New Zealand Institute of International Affairs, May 3, 2007.

⁴⁶ State Department Press Release, “Secretary Rice Remarks with New Zealand Prime Minister Helen Clark,” Government House, Auckland, July 26, 2008.

⁴⁷ Hank Schouten, “US Military to be Part of NZ Exercise,” *Dominion Post*, July 22, 2008.

relations.⁴⁸ In Congressional testimony in March 2008, Admiral Timothy Keating, Commander U.S. Pacific Command, pointed to New Zealand's participation in PSI activities, including a planned PSI exercise to be hosted by New Zealand in September 2008, and stated that "... we support New Zealand Defense Force participation in approved multilateral events that advance our mutual security interests."⁴⁹ When asked if it were time to lift formal restrictions on military training with New Zealand, Secretary of State Rice stated, "The relationship is not stuck in the past ... if there are remaining issues to be addressed, then I think we ought to find a way to address them ... because the relationship between New Zealand and the United States is such a beneficial one."⁵⁰ Secretary of State Rice's visit to New Zealand in July 2008 also raised speculation that progress may be made in establishing closer trade ties.⁵¹

The United States and New Zealand also cooperate in other ways. The United States and New Zealand have cooperated for over 50 years in the area of Antarctic scientific research. United States military aircraft continue to use Christchurch as a supply base for Antarctica. This logistical support was established in 1958.⁵² In 2007, the United States and New Zealand worked together with Germany and Italy on a program seeking insights into Antarctica's climate history as part of the International Polar Year.⁵³ In 2007, the United States and New Zealand inaugurated a Joint Commission Meeting on Scientific and Technological Cooperation.⁵⁴ The United States and New Zealand also continue to work closely on intelligence gathering and sharing.⁵⁵

Free Trade Agreement

Obtaining a Free Trade Agreement with the United States remains a key objective for New Zealand and one that it has been working towards for several years. New Zealand trade was once very closely integrated into the British

⁴⁸ Audrey Young, "War Games for NZ, US Troops," *New Zealand Herald*, August 21, 2008.

⁴⁹ Statement of Admiral Timothy Keating, U.S. Navy Commander U.S. Pacific Command, Before the House Armed Services Committee on U.S. Pacific Command Structure, March 12, 2008.

⁵⁰ Secretary of State Condoleezza Rice, "Remarks with New Zealand Foreign Minister Winston Peters," Government House, Auckland, July 26, 2008.

⁵¹ "Rice's Visit Reflects Change in Relations - US-NZ Council Says," *New Zealand Press Association*, August 6, 2008.

⁵² "U.S. Antarctic Program," United States Embassy, Wellington, [<http://www.usembassy.org.nz>].

⁵³ Paula Dobriansky, Under Secretary for Democracy and Global Affairs, "Remarks at the 50th Anniversary of U.S.-New Zealand Antarctic Cooperation," U.S. Department of State, June 27, 2008.

⁵⁴ Office of the Spokesman, "The United States and New Zealand Pledge to Advance Science Partnership," U.S. Department of State, October 30, 2008.

⁵⁵ Jim Rolf, "Let's Just Be Friends: New Zealand and the United States," *Asian Affairs*, Summer 2003, p. 127.

Commonwealth. The desire for an FTA with the United States is part of an ongoing effort to diversify trade. An FTA with New Zealand, some say, would likely more closely integrate New Zealand with the United States in political as well as economic terms. New Zealand and the United States “are currently working through our trade and investment Framework Agreement to further deepen our economic relationship.”⁵⁶ Senator John McCain has reportedly expressed his support for an FTA with New Zealand.⁵⁷

While the impact of an FTA on the overall United States economy would be small, such an agreement would likely increase U.S. merchandise exports to New Zealand by 25% according to business groups⁵⁸ while leading to a 0.5% decline in the United States dairy sector.⁵⁹ Beef, dairy products, wood, sheep, machinery and parts, fish, and fruits and vegetable are New Zealand’s leading exports to the United States. Machinery, aircraft and parts, computers and parts, electrical appliances and equipment, motor vehicles, food, medical and vet instruments, multimedia recordings, pharmaceuticals, and fertilizer and insecticides are America’s leading exports to New Zealand.⁶⁰

Institutional Support

There are several organizations and groups that help promote bilateral ties between the United States and New Zealand including the United States-New Zealand Council in Washington, DC, and its counterpart, the New Zealand-United States Council in Wellington; the Friends of New Zealand Congressional Caucus and its New Zealand parliamentary counterpart; and the more recent Partnership Forum. The US-NZ Council was established in 1986 to promote cooperation between the two countries and works with government agencies and business groups to this end. The Friends of New Zealand Congressional Caucus was launched by Representative Jim Kolbe and Representative Ellen Tauscher in February 2005 and has been supportive of a Free Trade Agreement (FTA) with New Zealand. Members of the Caucus sent a letter to U.S. Trade Representative Susan Schwab to “support the Administration’s decision to enter negotiations on financial services and investment with P4 including New Zealand.”⁶¹ The first Partnership Forum was held in April 2006 and, according

⁵⁶ Glyn Davies, Deputy Assistant Secretary of State for East Asian and Pacific Affairs, Statement Before the Subcommittee on Asia, the Pacific, and the Global Environment, House Committee on Foreign Affairs, March 16, 2007.

⁵⁷ Hon. Phil Geoff, Minister for Foreign Affairs, Media Statement, “Productive Discussions with US on Trade Issues,” June 11, 2008.

⁵⁸ “Sutton Welcomes U.S. Groups Push for FTA,” *New Zealand Press Association*, February 17, 2005.

⁵⁹ Fred Bergsten & Robert Scollay, “The Case for a Model Free Trade Agreement Between the United States and New Zealand,” [Prepared for the U.S.-New Zealand Council] New Zealand Embassy, Washington, DC, [<http://www.nzembassy.com>].

⁶⁰ Hon. Jim Sutton, Minister for Trade Negotiations, United States-New Zealand Free Trade Agreement.

⁶¹ “Friends of New Zealand Congressional Caucus Support Negotiations,” NZ-US Council, (continued...)

to its chairman, former Prime Minister of New Zealand Jim Bolger, it “has been credited with helping develop a new forward momentum in the relationship.”⁶²

The bipartisan Friends of New Zealand Congressional Caucus comprises some 70 Members of Congress. When launching the initiative, Representative Kolbe stated “In order for the U.S. to continue being a world leader in free trade, we must work toward a free trade agreement with New Zealand, as New Zealand will help open the door to markets around the world.”⁶³ The FTA is also supported by the American Chamber of Commerce⁶⁴ and the U.S. National Association of Manufacturers.⁶⁵ Representative Kevin Brady has since replaced Kolbe as the Republican co-chair of the caucus. It has been described as a “bipartisan working group that will strengthen and promote closer economic, political, and social links between the U.S. and New Zealand.”⁶⁶

Policy Options

Continuing restrictions on bilateral military-to-military exchanges and training are seen as acting to inhibit the full range of possible defense cooperation with New Zealand at a time when it is moving to develop its defense capabilities and is eager to work with the United States on a range of security issues. New Zealand shares the United States’ democratic values and strategic interests and has demonstrated its desire to work with the United States in the struggle against violent radical Islamists. New Zealand plays a constructive role promoting stability in the Southwest Pacific and beyond and could help in additional areas such as with maritime patrols in the Straits of Malacca. For these reasons, some experts and former and current U.S. government officials are calling for the removal of restrictions on defense cooperation with New Zealand, which are increasingly viewed as a vestige of past differences over nuclear policy, and for full engagement with a like-minded democracy.⁶⁷ Expanding trade with New Zealand through the P4 agreement and/or an FTA, some assert, could also act to strengthen ties between the two nations.

⁶¹ (...continued)
March 19, 2008.

⁶² Rt. Hon. Jim Bolger, “Second US NZ Partnership Forum to be Held 9-11 September 2007 in Auckland,” NZ - US Council, November 24, 2006.

⁶³ “Reps. Kolbe, Tauscher Launch Friends of New Zealand Congressional Caucus,” *U.S. Federal News*, February 16, 2005.

⁶⁴ “American Chambers to help NZ Bid for FTA,” *The Press* (Christchurch), February 24, 2005.

⁶⁵ “NZ Wins Powerful Ally in Quest for U.S. FTA,” *New Zealand Press Association*, February 3, 2005.

⁶⁶ “Kolbe and Tauscher Press Release: Friends of New Zealand Congressional Caucus,” [<http://www.usnzcouncil.org>].

⁶⁷ Richard Armitage and Randy Schriver, “Washington and Wellington,” *The Asian Wall Street Journal*, April 24, 2006.

Other External Relations

New Zealand has traditionally had close ties with the United Kingdom, Australia, and the South Pacific as well as with the United States. In recent years, New Zealand has sought to expand its traditionally close relationships by reaching out to develop closer ties, particularly through expanded trade, with Asian states.

Australia

New Zealand's closest external relationship is with Australia, while its most enduring relationship is with the United Kingdom. The closeness with Australia stems from their common origins as British colonies and includes a strong rivalry in rugby, which is New Zealand's most popular sport. Relations between New Zealand and Australia are formalized in the Closer Economic Relations (CER) and Closer Defense Relations (CDR) agreements. With a common labor market, an estimated 400,000 New Zealanders now reside in Australia out of a total estimated population of 4.2 million.⁶⁸ On a cultural level, shared national lore, such as the Australia-New Zealand Army Corp (ANZAC) experience, which was largely forged at the battle of Gallipoli in WWI, serves to reinforce ties between New Zealand and Australia. New Zealand is, along with Australia, Britain, Singapore, and Malaysia, a signatory to the Five Power Defense Arrangements of 1971. New Zealand is also a member of the Commonwealth and an active supporter of the United Nations (UN). New Zealand contributed troops along with Australia to WWI, WWII, Korea, Vietnam, and the first Gulf War.

The United Kingdom

New Zealanders' affinities for the United Kingdom (UK) remain strong despite the UK's decision to sever its preferential trade relationship with New Zealand, as well as the rest of the British Commonwealth, in order to join the European Community in the 1970s. The United Kingdom purchased two thirds of New Zealand's exports in 1950. In more recent years, the UK has dropped to New Zealand's fourth or fifth largest destination for exports. This has made the search for new foreign markets a key aspect of New Zealand's foreign policy. New Zealand's proactive and successful policy of export diversification has expanded New Zealand's markets to include Japan, China, the European Union, Australia, and the United States.

Regional Role in the Pacific

New Zealand has an increasingly Pacific identity that stems from both its indigenous Maori population and other more recent Pacific island immigrants from Polynesia and Melanesia. While Maori represent 15% of the population, Pacific Islanders comprise an additional 6.5%. Auckland is the world's largest Polynesian city. New Zealand Foreign Minister Phil Goff has described New Zealand as a

⁶⁸ "New Zealand: Population Flows Pose Major Challenges," *Oxford Analytica*, June 26, 2008.

“Pacific nation.” New Zealand has a set of relationships with South Pacific island groups that is similar to the relationships that the United States has with various island groupings in the Western Pacific. New Zealand has had colonial and trusteeship relationships with the Cook Islands, Niue, Western Samoa, and Tokelau. Samoa became independent in 1962, while the Cook Islands and Niue became self governing in 1965 and 1974 in “free association” with New Zealand. Tokelau may soon achieve self determination. New Zealand remains engaged with the islands through disaster relief, development assistance, and security stabilization efforts. New Zealand also works closely with other Pacific Island states on a bilateral and multilateral basis through the South Pacific Islands Forum, which is based in Fiji. The Forum has supported the South Pacific Nuclear Free Weapons Zone, efforts to promote sustainable use of fisheries resources, and regional security.⁶⁹

⁶⁹ “New Zealand in the Pacific,” New Zealand Ministry of Foreign Affairs and Trade, [<http://www.mfat.govt.nz>].

Figure 1. Map of New Zealand

Source: Map Resources. Adapted by CRS. (K.Yancey 4/14/05)

Chronology⁷⁰

1000	First human habitation of New Zealand begins with the arrival of Polynesian Maori people.
1642	Abel Tasman of Holland makes first European discovery of New Zealand.
1769	British explorer Captain James Cook explores New Zealand.
1773	Cook conducts further exploration of New Zealand.
1777	Cook conducts further exploration of New Zealand.
1815	The first European settlement of New Zealand begins.
1840	Treaty of Waitangi between the British Crown and Maori Chiefs.
1841	New Zealand becomes an independent colony of the British Empire.
1845-72	New Zealand wars as Maori resist European encroachment on their lands.
1893	New Zealand is the first nation to give women the right to vote.
1907	New Zealand shifts from colonial to dominion status within the British Empire.
1914-18	Approximately half the eligible male population of New Zealand serve in World War I and New Zealand suffers one of the highest rates of casualties.
1915	The campaign on Gallipoli in the Dardenelles begins and is one of New Zealand's largest contributions to the war along with operations in Palestine.
1939-45	New Zealand contributes forces in support of the allied powers. They fight in Crete and in North Africa at places such as Tobruk and El Alemain.
1950-53	New Zealand sends troops to fight with UN forces in the Korean War.
1951	New Zealand signs the ANZUS treaty with the United States and Australia.
1960s	New Zealand sends troops to fight with the United States in Vietnam.

⁷⁰ The chronology is largely drawn from "Timeline New Zealand: A Chronology of Key Events," *BBC News*, August 16, 2006.

- 1985 Labour government of David Lange refuses to let U.S. nuclear warships enter New Zealand harbours.
- 1986 The United States suspends its alliance commitment to New Zealand.
- 1990 James Bolger of the National Party becomes prime minister.
- 1993 Proportional representation is introduced into New Zealand.
- 1997 Jenny Shipley of the National Party becomes prime minister.
- 1999 New Zealand sends troops to East Timor with the United Nations. Helen Clark becomes prime minister.
- 2002 Clark wins reelection over a faltering National Party.
- 2004 New Zealand and China begin free trade talks
- 2005 Clark wins a close election over a resurgent National Party.
- 2006 New Zealand troops return to East Timor quell unrest.
- 2008 Elections to be called.